



Audit & Governance Committee
29 July 2019

Statement of Accounts 2018/19

Purpose of the report:

To inform the Committee of the result of the external audit of the council's 2018/19 Statement of Accounts, to receive the external auditor's Audit Findings Report and to approve the council's letter of representation from the Executive Director of Resources.

Recommendations:

It is recommended that the Committee:

1. Approve the 2018/19 Statement of Accounts, as attached in Annex 1, for publication on the council's website and in a limited number of hard copies;
2. Consider the contents of the 2018/19 Audit Findings Report in Annex 2;
3. Agree the officer response to recommendations of the external auditor;
4. Note the Executive Director of Resources' letter of representation, which is attached in Annex 3;
5. Determine if any issues in the Audit Findings Report should be referred to the Cabinet.
6. Note the revised Annual Governance Statement, as approved by Cabinet on 17 July.

Introduction:

7. The Executive Director of Resources has approved the statement of accounts for 2018/19 as presenting a true and fair view of the county council's financial position as at the 31 March 2019 and its income and expenditure for the year. The accounts are attached at Annex 1 to this report for Member debate and approval.
8. The auditor has provided a commentary and recommendations on the statement of accounts in their Audit Findings Report (attached as Annex 2).
9. The auditor anticipates issuing an unqualified opinion on the financial statements.

The Statement of Accounts 2018/19

10. The Local Audit and Accountability Act 2014 requires the Statement of Accounts for 2018/19 to be published by 31 July, and that they are approved, prior to this date, by a non-executive committee of the local authority.
11. The s151 officer is responsible for the preparation of Surrey County Council's single entity statement of accounts, the Surrey County Council group accounts, the pension fund statement of accounts and the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).
12. The Code is a very prescriptive document, and determines not only the accounting policies to follow, but also the form and content of the statement of accounts. The Code is based on International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board. Local authorities have a legal obligation to follow "proper accounting practice", this therefore means that compliance is mandatory.
13. Any significant departure from The Code will normally result in a qualified audit opinion.

Accounting Changes 2018/19

14. The 2018/19 Code of Practice on Local Authority Accounting adopted IFRS9 – Financial instruments, which requires an assessment of likely impairment of loans and investments.
15. Annex 1 presents the 2018/19 Statement of Accounts. Draft accounts were produced and presented for audit by the end of May 2019.

2018/19 Audit Findings

16. The Audit Findings Report summarises the findings of the 2018/19 audit, which is now nearing completion. It includes the messages arising from the audit of the statement of accounts and the results of the external auditor's work undertaken to assess the council's arrangements to secure value for money in the use of resources.
17. The external auditor's 2018/19 report is presented in Annex 2 and sets out a summary of the work carried out during the audit of the accounts, the conclusions reached and recommendations.
18. At the beginning of the audit the auditors produce an audit plan, which was reported to the Audit & Governance Committee in April 2019. The audit plan identified areas of significant risk of material misstatement. The audit findings report summarises the work completed in relation to these risk areas.
19. Appendix 1 of the Audit Findings Report identifies changes to the Statement of Accounts. In summary these relate to the following:
 - a. The Supreme Court has denied permission for the Government to appeal a ruling concerning age discrimination in judges and firefighter pension schemes. This ruling will impact all other pension funds, including the Local Government Pension Scheme. Following actuarial advice, the Council has amended its pension liabilities for both the LGPS and Firefighter pension schemes, which leads to changes in the Comprehensive Income and Expenditure Statement, the Balance sheet and pension notes.

- b. The council has reclassified a government grant debtor in respect an overspending on the High Needs Block of the Dedicated Schools Grant. The impact of this is now off-set against schools balances.
 - c. Restatement of the Council’s share of borough and district collection fund balances and debtors.
 - d. Changes to disclosure notes concerning Capital Commitments, Cash flow statement and Financial Instruments.
20. In addition, the council has amended the 1 April 2017 Opening balance in respect of land values for the group of schools that were revalued during 2018/19.
21. There are a small number of items still to be signed off by the auditors before the final opinion can be issued.

Conclusions:

22. Following the changes included above, and the results of the audit, the accounts are now presented to this Committee for approval.

Financial and value for money implications

23. There are no direct financial implications of this report, all financial implications in the accounts have been made in line with the Code of Practice and any impact on the 2018/19 budget has been considered in the outturn report to the Cabinet.

Equalities and Diversity Implications

24. There are no direct equalities implications of this report.

Risk Management Implications

25. There are no direct risk management implications of this report.

Next steps:

26. The statement of accounts will be published in line with the statutory deadline. The only changes made to the published version will be presentational, with the accounts typeset into a booklet style. A small number of hard copies will be produced. However, a version of the statements will also be posted on the council’s website, and again some of the formatting may change to ensure it complies with the council’s accessibility standards.

Report contacts: Kevin Kilburn, Strategic Finance Manager (Corporate)

Contact Details: kevin.kilburn@surreycc.gov.uk or Tel: 020 8541 9207

Sources/background papers:

2018/19 Financial Outturn Report – Cabinet 28 May 2019.

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
CIPFA

This page is intentionally left blank